No. 86-422

FILED
FEB 28 1987
JOSEPH F. SPANIOL, JR.
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

DAVID CARPENTER, KENNETH P. FELIS, and
R. FOSTER WINANS,

Petitioners,

v.

UNITED STATES OF AMERICA,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

JOINT APPENDIX

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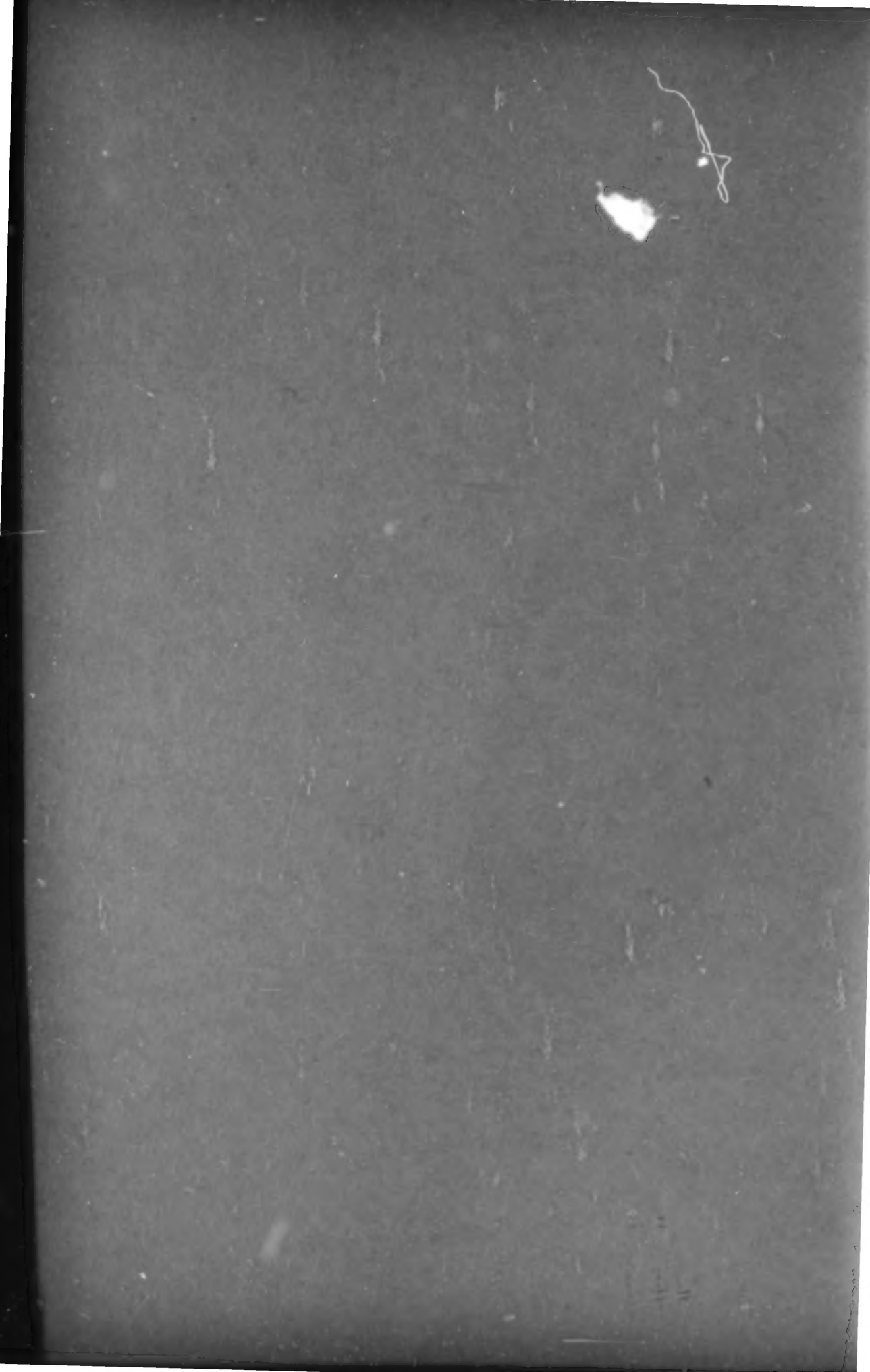

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA	:	
	:	SUPERSEDING
–v–	:	INDICTMENT
	:	
R. FOSTER WINANS,	:	SS 84 Cr. 605
DAVID CARPENTER and	:	(CES)
KENNETH P. FELIS,	:	
	:	
Defendants.	:	
	:	

COUNT ONE

The Grand Jury charges:

THE DEFENDANTS

1. R. FOSTER WINANS, the defendant, at all times relevant to this Indictment up to March 28, 1984, was employed by the Wall Street Journal and its parent corporation Dow Jones & Company, Inc. at 22 Cortlandt Street, New York, New York. WINANS was assigned as one of two reporters principally responsible for the Journal's "Heard on the Street" column. WINANS also had a beneficial interest in certain bank and brokerage accounts maintained by or with DAVID CARPENTER.

2. DAVID CARPENTER, the defendant, from time to time relevant to this Indictment, maintained certain bank and stock brokerage accounts in which the defendant R. FOSTER WINANS shared a beneficial interest.

3. KENNETH P. FELIS, the defendant, at all times relevant to this Indictment, was employed as a registered representative by Kidd_r Peabody & Co., Incorporated ("Kidder Peabody") at 101 Park Avenue, New York, New York. FELIS also shares commissions and participated in a stock trading account with Peter N. Brant.

4. Peter N. Brant, named as a defendant in Information 84 Cr. 470, at all times relevant to this Indictment, was employed as a registered representative by Kidder Peabody at 101 Park Avenue, New York, New York. Brant also shared commissions and participated in a stock trading account with the defendant KENNETH P. FELIS.

THE WALL STREET JOURNAL

5. The Wall Street Journal at all times relevant to this Indictment was a newspaper published every business day by Dow Jones & Company, Inc. from editorial and publication headquarters at 22 Cortlandt Street, New York, New York. At all times relevant to this Indictment, certain of the content of Journal, including the "Heard on the Street" column, was transmitted on or about the day prior to publication by wire communication in interstate commerce from 22 Cortlandt Street, New York, New York to Chicopee, Massachusetts and Dallas, Texas for satellite transmission and printing at various locations. At all times relevant to this Information, the Journal had a circulation of approximately two million copies, including approximately 20,000 copies delivered by United States mail daily to subscribers in the Southern District of New York.

6. The "Heard on the Street" column at all times relevant to this Indictment appeared regularly in the Wall Street Journal and featured information, opinions and analyses concerning the prospects for certain industries in general and for particular companies and the securities of those companies. Readership surveys show that "Heard on the Street" is one of the most popular features in the Journal. Among stocks featured in "Heard on the Street", those mentioned favorably tend to rise in price and those mentioned unfavorably tend to decline in price on the day of publication. Because of the market sensitivity of "Heard on the Street", the Wall Street Journal

takes special measures to insure the confidentiality of the column up until the moment of publication.

THE CONSPIRACY

7. From on or about January 1, 1983, to on or about March 29, 1984, in the Southern District of New York and elsewhere, the defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS and others to the Grand Jury known and unknown, including Peter N. Brant, unlawfully, wilfully and knowingly, did combine, conspire, confederate and agree with and among each other to commit certain offenses against the United States, to wit: fraud in the purchase and sale of securities in violation of Title 15, United States Code, Section 78j(b) and 78ff and Rule 10b–5 thereunder, 17 C.F.R. § 240.10b–5; mail and wire fraud in violation of Title 18, United States Code, Sections 1341 and 1343; and obstruction of justice in violation of Title 18, United States Code, Section 1505.

8. It was a part of the conspiracy that the defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS and others to the Grand Jury known and unknown including Peter N. Brant, would and did directly and indirectly, and by use of means and instrumentalities of foreign and interstate commerce, the mails, and the facilities of national securities exchanges, (a) employ devices, schemes, and artifices to defraud, and (b) engage in acts, practices and courses of business in connection with the purchase and sale of securities, as set forth more fully below, which operated as a fraud and deceit on the Wall Street Journal and Dow Jones & Company, Inc.

9. It was further a part of the conspiracy that the defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS and others to the Grand Jury known and unknown including Peter N. Brant would and did devise a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises, and that to execute the scheme, they would and did use and cause the use of the mails and wire communications in interstate commerce.

10. It was further a part of the conspiracy that the defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS and others to the Grand Jury known and unknown including Peter N. Brant, would and did corruptly endeavor to influence, obstruct and impede the due and proper administration of the law under which a pending proceeding was being had before a department and agency of the United States, to wit, an investigation directed by formal order of the Securities and Exchange Commission dated March 14, 1984.

OBJECTS OF THE CONSPIRACY

Among the objects of the Conspiracy were the following:

11. As a part of the conspiracy, the defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS and their co–conspirators agreed that WINANS would misappropriate from the Wall Street Journal and Dow Jones & Company, Inc. confidential, material, advance information which was entrusted by the Journal to WINANS by virtue of his employment concerning the subject matter, nature and timing of "Heard on the Street" columns and other articles scheduled to appear in the Journal. They agreed further that WINANS would covertly relay such information directly and indirectly to his co–conspirators. The defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS and co–conspirators would and did then buy stock in anticipation of favorable articles, and sell short in anticipation of unfavorable articles, and engage in comparable transactions in options for the securities of the companies which were scheduled to be the subject of "Heard on the Street" columns and other Journal articles, for the purpose of profiting from movements in the price of those securities after publication of the stories. In so doing WINANS, with the aid and support of the defendants DAVID CARPENTER and KENNETH P. FELIS and their co–conspirators, would and did breach the trust and confidence placed in WINANS by the Wall Street Journal and Dow Jones & Company, Inc.

12. As a part of the conspiracy, the defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS and their co-conspirators agreed that having traded in securities in anticipation of articles scheduled to appear in the Wall Street Journal, WINANS would and did write, obtain approval for and cause to be published "Heard on the Street" columns concerning the issuers of those securities, with the expectation of profiting from movements in the price of the securities in response to the articles, and without disclosing the foregoing circumstances to the Wall Street Journal. Subsequent to the publication of the "Heard on the Street" column or other articles leaked in advance, the defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS and their co-conspirators would and did sell the stock which had been purchased, or purchase stock in order to cover short sales, or engage in comparable options transactions calculated to profit from price movements in the securities in response to the Journal stories.

13. As a part of the conspiracy, the defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS and their co-conspirators agreed to cover up and endeavor to obstruct any investigation into the scheme by attempting to disguise payments by Peter Brant and FELIS to WINANS and CARPENTER as fees for "decorating services" ostensibly rendered by CARPENTER; by making false statements to Kidder Peabody, the Wall Street Journal and officers of the Securities and Exchange Commission, and by preparing false documents intended for submission to the Securities and Exchange Commission.

14. In attempting to achieve the objects of the conspiracy, R. FOSTER WINANS, with the aid and support of the defendants DAVID CARPENTER and KENNETH P. FELIS and their co-conspirators violated his fiduciary duties owed to the Wall Street Journal and Dow Jones & Company, Inc., including a duty of honesty, loyalty and silence, a duty not to use the news pages of the Wall Street Journal for his personal benefit, a duty to report to his superiors advance leaks of stories that he knew or believed to have caused trading in securities, a duty to refrain from trading in securities based upon advance knowledge of Wall Street Journal articles, and a duty to report

to his superiors any inadvertent trading for his benefit in securities that were to be the subject of a forthcoming article.

THE MEANS OF THE CONSPIRACY

Among the means employed by the defendants and their co–conspirators to effect the conspiracy and to carry out its unlawful object were the following:

15. On or about January 10 and 11, 1983, the defendants R. FOSTER WINANS and DAVID CARPENTER caused to be purchased in a brokerage account in CARPENTER's name 400 shares of the stock of American Surgery Centers Corp. at total cost of $1,814.17. Two days later, on or about January 13, 1983, WINANS wrote and caused to be published in the Wall Street Journal a favorable "Heard on the Street" column concerning American Surgery Centers Corp. On the days that the column appeared, the closing bid price for American Surgery Centers Corp. stock rose to $5.00, or approximately $.94 over the closing bid price on the day before the column.

16. On or about March 23, 1983, the defendant R. FOSTER WINANS wrote and caused to be published a generally favorable mention of American Surgery Centers Corp. in the "Heard on the Street" column. On the day that the column appeared, the closing bid price for American Surgery Centers Corp. stock rose to approximately $7.69, or approximately $.94 over the closing bid price on the day before the column.

17. On or about May 17, 1983, the defendants R. FOSTER WINANS and DAVID CARPENTER caused to be sold from the brokerage account in CARPENTER's name the 400 shares of American Surgery Centers Corp. stock for total proceeds of $4,673.64, for a profit of $2,859.47.

18. On or about April 28, 1983, the defendants R. FOSTER WINANS and DAVID CARPENTER caused to be purchased in a brokerage account in CARPENTER's name 1,000 shares of the stock of Institutional Investors Corp. at a total cost of $1,237.50.

19. On or about June 1, 1983, the defendant R. FOSTER WINANS wrote and caused to be published in the Wall Street Journal a favorable "Heard on the Street" column concerning Institutional Investors Corp. On the day that the column appeared, the closing price for Institutional Investors Corp. stock rose to approximately $1.63, or approximately $.38 over the closing price on the day before the column. Five days later on or about June 6, 1983, WINANS and the defendant DAVID CARPENTER caused to be sold from the brokerage account in CARPENTER's name the 1,000 shares of Institutional Investors Corp. stock for total proceeds of $1735.09, for a profit of $497.59.

20. In or about mid-1983, at a meeting at the Racquet & Tennis Club in Manhattan, the defendant R. FOSTER WINANS and Peter N. Brant discussed among other things the effect of the "Heard on the Street" column on the market price of securities.

21. On or about Sunday, October 16, 1983, during a discussion on a golf course on Long Island, the defendant R. FOSTER WINANS and Peter N. Brant agreed that WINANS would systematically disclose to Brant confidential advance information concerning the subject matter, nature and timing of "Heard on the Street" columns, in order for Brant to execute transactions in the securities or options for the securities of companies to be featured in the stories. WINANS and Brant agreed to share profits from such trading. Brant agreed to advance $15,000 to WINANS disguised in the form of a check payable to the defendant DAVID CARPENTER. On or about the same day, Brant advised the defendant KENNETH P. FELIS of the agreement.

22. On or about Monday, October 17, 1983, Peter N. Brant wrote a $15,000 check payable to DAVID CARPENTER and caused it to be delivered to the defendant R. FOSTER WINANS. On or about the same day, WINANS informed Brant the a generally favorable article concerning oil-service companies, including Schlumberger, Ltd., would appear in "Heard on the Street" on the following day. As a result of this conversation, Brant purchased common stock and call options for Schlumberger, Ltd. in accounts in the names of Brant and the defendant KENNETH P. FELIS at Kidder Peabody. Later on the same day, WINANS advised Brant that the column in question had been delayed until Wednesday, October 19, 1983. On or about Wednesday, October 19, 1983, the "Heard on the Street" column concerning Schlumberger, Ltd., and other oil-service companies appeared in the Wall Street Journal.

23. Over the next four and one-half months, the defendant R. FOSTER WINANS leaked advance information concerning approximately two dozen additional articles written by himself and others directly or indirectly to one or more of the defendants KENNETH P. FELIS and DAVID CARPENTER and to Peter N. Brant and others who caused securities to be purchased and sold on the basis of this information. In all, the conspirators gained illegal gross profits of approximately $900,000 at the expense of public investors, and also realized trading losses of approximately $225,000 as a result of this trading.

24. In or about the latter part of October, 1983, the defendants R. FOSTER WINANS and KENNETH P. FELIS and Peter N. Brant met on one or more occasions in Manhattan at the Racquet & Tennis Club, Nicola's Restaurant and elsewhere in order to introduce WINANS and FELIS, and to discuss various aspects of the scheme.

25. On or about Thursday, November 3, 1983, after approximately eleven stocks had been traded in accounts maintained in the names of the defendant KENNETH P. FELIS and another on the day before they appeared in "Heard on the Street", Kidder Peabody questioned FELIS and Peter N. Brant about the coincidence. Brant and FELIS falsely stated that

FELIS were merely mimicking trades initiated by one of Brant's customers, and that he had the customer's permission to engage in this practice. Kidder Peabody instructed Brant and FELIS that such trading in FELIS' account was to stop.

26. On or about the same day, the defendant KENNETH P. FELIS and Peter N. Brant decided to continue their trading through a Swiss bank. Brant contacted the Bank Institute of Zurich, through which he had previously done business on behalf of a customer, and discussed the use of "Western Hemisphere Trading Corporation," a Costa Rican corporation, in order to conduct the trading. On or about the following day, Friday, November 4, 1983, FELIS and Brant withdrew $275,000 from the account which they maintained in FELIS' name at Kidder Peabody and converted those funds into a bank check payable to Western Hemisphere Trading Corp.

27. On or about Saturday, November 5, 1983, the defendant KENNETH P. FELIS arrived in Spain on a pre-arranged vacation. In or about the following week, FELIS travelled to Switzerland and visited the Bank Institute of Zurich, where he deposited the $275,000 check. FELIS also arranged to "rent" the use of "Western Hemisphere Trading Corporation" for $1500 per month. FELIS then arranged for $250,000 to be wired back to Kidder Peabody in New York to fund the "Western Hemisphere Trading Corp. Account Number 2," and left $25,000 on deposit with the Bank Institute of Zurich on account of monthly fees.

28. On or about Thursday, November 10, 1983, Peter N. Brant gave the defendant R. FOSTER WINANS approximately $1,000 in British pounds as a portion of WINANS' share of the proceeds of the scheme, to be used by the defendant DAVID CARPENTER on a forthcoming trip to England.

29. On or about Thursday, December 1, 1983 and on four more occasions thereafter, the defendant KENNETH P. FELIS and Peter N. Brant resumed using information received from the defendant R. FOSTER WINANS to trade in securities in the name of Western Hemisphere Trading Corp. Account No. 2. On or about December 5, 1983, $250,000 was

wire transferred from the Bank Institute of Zurich to Kidder Peabody in New York to fund this trading.

30. On or about Wednesday, December 7, 1983, the defendant R. FOSTER WINANS met Peter N. Brant at the Polo Lounge at the Westbury Hotel in Manhattan and received a $5000 check from Brant payable to the defendant DAVID CARPENTER as a further payment of WINANS' share of the proceeds of the scheme. On or about the following day, the check was deposited to a joint checking account maintained by WINANS and CARPENTER.

31. In or about mid-January, 1984, Peter N. Brant advised the defendant R. FOSTER WINANS in substance that losses due to a recent price drop in the stock of Digital Switch Corp., a stock in which Brant was heavily invested, were restricting the ability of the conspirators to conduct further trading. Brant further advised WINANS that if he were able to sell his Digital Switch stock at a favorable price, the conspirators' volume of trading could increase. Brant also suggested to WINANS the basis for a favorable story about Digital Switch. On January 19, 1984, WINANS caused to be published a favorable "Heard on the Street" column concerning Digital Switch. Later on the same day, Brant caused 25,000 shares of Digital Switch to be sold at an average price of approximately $32 per share from two accounts which were maintained at Kidder Peabody in the name of a customer and in which Brant had a profit-sharing interest. These sales after publication of WINANS' article resulted in a profit of approximately $11,250 over the previous day's closing price for Digital Switch.

32. On or about January 29, 1984, the defendant KENNETH P. FELIS wrote a $10,000 check payable to the defendant DAVID CARPENTER, which Peter N. Brant subsequently delivered to the defendant R. FOSTER WINANS as a further payment in connection with the scheme. Pursuant to an understanding among the conspirators, the word "drapes" was noted on the check in order to support the false explanation that the payment was in return for interior decorating services rendered by CARPENTER.

33. At approximately 4:40 p.m. on Thursday, March 1, 1984, the defendant R. FOSTER WINANS was interviewed by telephone by staff members of the Securities and Exchange Commission.

34. Later on or about Thursday, March 1, 1984, the defendant DAVID CARPENTER, acting as a "go-between" for the defendant R. FOSTER WINANS, telephoned Peter N. Brant and in a coded conversation asked to meet with Brant. CARPENTER and Brant met later the same night at Brant's Manhattan apartment and discussed the SEC's questions and WINANS' responses as well as the false explanation for the checks payable to CARPENTER in return for "decorating services."

35. Beginning on or about Saturday, March 3, 1984 and on a number of occasions over the next two and one-half weeks, the defendant DAVID CARPENTER met with Peter N. Brant and occasionally with the defendant KENNETH P. FELIS at Brant's home on Long Island, at Brant's apartment in Manhattan, and at a number of other locations in Manhattan, to discuss the course of the investigation, the false cover story, and the preparation by CARPENTER of false invoices for "decorating services" to account for the payments from Brant and FELIS. On or about March 22, 1984, CARPENTER delivered three such invoices to Brant and FELIS.

36. On or about the evening of Wednesday, March 21, 1984, the defendants R. FOSTER WINANS, KENNETH P. FELIS and DAVID CARPENTER and Peter N. Brant met at Trader Vic's at the Plaza Hotel in Manhattan to review the course of the SEC investigation and the false cover story.

OVERT ACTS

In furtherance of the conspiracy and to effect its objects, the following overt acts, among others, were committed in the Southern District of New York:

37(a)–37(v). On or about the day before each "date of publication" in each of the overt acts (a) through (v) below, the defendant R. FOSTER WINANS wrote or contributed to "Heard on the Street" columns or other articles concerning the "subject" listed:

	DATE OF PUBLICATION	SUBJECT
(a)	1/13/83	American Surgery Centers Corp.
(b)	3/23/83	American Surgery Centers Corp.
(c)	6/1/83	Institutional Investors Corp.
(d)	10/19/83	Schlumberger Ltd.
(e)	10/20/83	TIE/Communications, Inc.
(f)	10/21/83	Merrill Lynch & Co.
(g)	10/25/83	Key Pharmaceuticals, Inc.
(h)	10/28/83	Todd Shipyards Corp.
(i)	10/31/83	Charter Co.
(j)	11/1/83	Toys "R" Us, Inc.
(k)	11/2/83	International Paper Co.
(l)	11/9/83	Western Union Corp.
(m)	11/17/83	Coleco Industries Inc.
(n)	12/6/83	Petro–Lewis Corp.
(o)	12/12/83	G.D. Searle & Co.
(p)	2/3/84	Merrill Lynch & Co.

	DATE OF PUBLICATION	SUBJECT
(q)	2/14/84	Quotron Systems Inc.
(r)	2/15/84	Isomedix, Inc.
(s)	2/15/84	Radiation Technology, Inc.
(t)	2/17/84	Beatrice Foods Co.
(u)	2/22/84	Kaypro Corp.
(v)	2/27/84	Chicago Milwaukee Corp.

(Title 18, United States Code, Section 371.)

COUNTS TWO THROUGH TWENTY-FIVE

The Grand Jury further charges:

38. On or about the dates indicated in Counts Two through Twenty-Five below, in the Southern District of New York, the defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS as indicated in the "Defendants Charged" column below and with respect to the counts in which their names are listed, unlawfully, wilfully and knowingly, directly and indirectly, and by use of means and instrumentalities of foreign and interstate commerce, the mails, and the facilities of national securities exchanges, did (a) employ devices, schemes, and artifices to defraud, and (b) engage in acts, practices and courses of business, which operated as a fraud and deceit on the Wall Street Journal and Dow Jones & Company, Inc., in connection with the purchase and sale of securities, including the following:

COUNT	SUBJECT COMPANY	APPROX-IMATE DATE OF TRANSAC-TIONS	NUMBER OF SHARES/ OPTIONS BOUGHT (SOLD)	DEFENDANTS CHARGED
2	Schlumberger, Ltd.	10/17/83	15,000 Shares 100 Calls	Winans/Felis
3	TIE/Communications, Inc.	10/19/83	454 Puts	Winans/Felis
4	Merrill Lynch & Co., Inc.	10/20/83	543 Puts	Winans/Felis
5	Key Pharmaceuticals, Inc.	10/24/83	232 Puts	Winans/Felis
6	International Harvester Co.	10/25/83	20,000 Shares	Winans/Felis
7	Commodore/International Ltd.	10/27/83	300 Puts	Winans/Felis
8	Todd Shipyards Corp.	10/27/83	5,000 Shares	Winans/Felis
9	Charter Co.	10/27/83	346 Puts	Winans/Felis
10	Toys "R" Us, Inc.	10/31/83	15,000 Shares	Winans/Felis
11	International Paper Co.	11/1/83	(10,000 Shares) 100 Puts	Winans/Felis
12	Perkin-Elmer Corp.	11/2/83	20,000 Shares 8 Calls	Winans/Felis
13	Petro-Lewis Corp.	12/1/83	20,000 Shares	Winans/Felis
14	Rolm Corp.	12/2/83	20 Puts	Winans/Carpenter
15	G. D. Searle & Co.	12/9/83	82 Puts 20 Puts	Winans/Felis
16	Greyhound Corp.	12/9/83	522 Calls	Winans/Felis
17	Greyhound Corp.	12/9/83	15 Calls	Winans/Carpenter
18	Merrill Lynch & Co., Inc.	2/2/84	15 Puts	Winans/Carpenter
19	Quotron Systems, Inc.	2/3/84	(10,000 Shares)	Winans/Felis
20	Quotron Systems, Inc.	2/10/84-2/11/84	(1,500 Shares)	Winans/Felis
21	Browning-Ferris Industries, Inc.	2/14/84	5 Puts	Winans/Carpenter

COUNT	SUBJECT COMPANY	APPROX-IMATE DATE OF TRANSAC-TIONS	NUMBER OF SHARES/ OPTIONS BOUGHT (SOLD)	DEFENDANTS CHARGED
22	Beatrice Foods Co.	2/16/84	15 Calls	Winans/Carpenter
23	Beatrice Foods Co.	2/16/84	40 Calls	Winans/Felis
24	Kaypro Corp.	2/21/84	200 Shares	Winans/Carpenter
25	Chicago Milwaukee Corp.	2/16/84	800 Shares	Winans/Felis

39. The allegations contained in all the preceding paragraphs of Count One of this Indictment are repeated and realleged as though fully set forth herein and as constituting and describing part of the scheme by which the defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS committed the offenses charged in Counts Two through Twenty–Five.

(Title 15, United States Code, Sections 78j(b) and 78ff, Rule 10b–5 [17 C.F.R. § 240.10b–5] and Title 18, United States Code, Section 2).

COUNTS TWENTY–SIX THROUGH FORTY–THREE

The Grand Jury further charges:

40. From on or about January 1, 1983, up to and including March 29, 1984, in the Southern District of New York and elsewhere, R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS, the defendants, and others to the Grand Jury known and unknown, did unlawfully, wilfully and knowingly devise and intend to devise a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises as alleged in paragraphs one through thirty–six above.

41. On or about the day before the "Date of Publication" set forth below, in the Southern District of New York, R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS, the defendants, as indicated below in the "Defendants Charged" column and with respect to the counts below in which their names are listed, unlawfully, wilfully and knowingly, for the purpose of executing said scheme and artifice did cause to be transmitted by means of wire and radio and television communication in interstate commerce writings, signs and signals; to wit, "Heard on the Street" columns or other articles written in whole or in part by WINANS concerning the "subject(s)" set forth below, transmitted from the Wall Street Journal at 22 Cortlandt Street, New York, New York, to Chicopee, Massachusetts, for printing and re–transmission by satellite:

COUNT	DATE OF PUBLI–CATION	SUBJECT(S)	DEFENDANTS CHARGED
26	10/19/83	Schlumberger, Ltd.	Winans/Felis
27	10/20/83	TIE/Communications, Inc.	Winans/Felis
28	10/21/83	Merrill Lynch & Co.	Winans/Felis
29	10/25/83	Key Pharmaceuticals, Inc.	Winans/Felis
30	10/28/83	Todd Shipyards Corp.	Winans/Felis
31	10/31/83	Charter Co.	Winans/Felis
32	11/1/83	Toys "R" Us, Inc.	Winans/Felis
33	11/2/83	International Paper Co.	Winans/Felis
34	11/9/83	Western Union Corp.	Winans
35	11/17/83	Coleco Industries, Inc.	Winans
36	12/6/83	Petro–Lewis Corp.	Winans/Felis

COUNT	DATE OF PUBLI-CATION	SUBJECT(S)	DEFENDANTS CHARGED
37	12/12/83	G. D. Searle & Co.	Winans/Felis
38	2/3/84	Merrill Lynch & Co.	Winans/Carpenter
39	2/14/84	Quotron Systems Inc.	Winans/Felis
40	2/15/84	Isomedix, Inc. Radiation Technology, Inc.	Winans/Carpenter/ Felis
41	2/17/84	Beatrice Foods Co.	Winans/Carpenter/Felis
42	2/22/84	Kaypro Corp.	Winans/Carpenter
43	2/27/84	Chicago Milwaukee Corp.	Winans/Felis

42. The allegations contained in all the preceding paragraphs of Count One of this Indictment are repeated and realleged as though fully set forth herein and as constituting and describing part of the scheme by which the defendants R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS and others committed the offenses charged in these Counts.

(Title 18, United States Code, Sections 1343 and 2.)

COUNTS FORTY-FOUR THROUGH SIXTY-ONE

The Grand Jury further charges:

43. From on or about January 1, 1983, up to and including March 29, 1984, in the Southern District of New York and elsewhere, R. FOSTER WINANS, DAVID CARPENTER and KENNETH P. FELIS, the defendants, and others to the Grand Jury known and unknown, did unlawfully, wilfully and knowingly devise and intend to devise a scheme and artifice to defraud and to obtain money by means of false and fraudulent pretenses, representations, and promises as alleged in paragraphs one through thirty-six above.

44. On or about the dates set forth below, in the Southern District of New York, R. FOSTER WINANS, DAVID CARPENTER and KENNETH FELIS, the defendants, as indicated below in the "Defendants Charged" column and with respect to the counts below in which their names are listed, unlawfully, wilfully and knowingly, for the purpose of executing said scheme and artifice and attempting to do so, did cause to be placed in post offices and authorized depositories for mail matter, and did cause to be delivered by the United States Postal Service according to the directions thereon, mail matter and things, to wit, approximately 20,000 copies delivered in the Southern District of New York of the Wall Street Journal including "Heard on the Street" columns or other articles written in whole or in part by WINANS concerning the "subjects" set forth below:

COUNT	APPROX-IMATE DATE	SUBJECT(S)	DEFENDANTS CHARGED
44	10/19/83	Schlumberger, Ltd.	Winans/Felis
45	10/20/83	TIE/Communications, Inc.	Winans/Felis
46	10/21/83	Merrill Lynch & Co.	Winans/Felis
47	10/25/83	Key Pharmaceuticals, Inc.	Winans/Felis
48	10/28/83	Todd Shipyards Corp.	Winans/Felis
49	10/31/83	Charter Co.	Winans/Felis
50	11/1/83	Toys "R" Us, Inc.	Winans/Felis
51	11/2/83	International Paper Co.	Winans/Felis
52	11/9/83	Western Union Corp.	Winans
53	11/17/83	Coleco Industries, Inc.	Winans
54	12/6/83	Petro-Lewis Corp.	Winans/Felis
55	12/12/83	G. D. Searle & Co.	Winans/Felis
56	2/3/84	Merrill Lynch & Co.	Winans/Carpenter
57	2/14/63	Quotron Systems Inc.	Winans/Felis
58	2/15/84	Isomedix, Inc. Radiation Technology, Inc.	Winans/Carpenter/ Felis
59	2/17/84	Beatrice Foods Co.	Winans/Carpenter/Felis
60	2/22/84	Kaypro Corp.	Winans/Carpenter
61	2/27/84	Chicago Milwaukee Corp.	Winans/Felis

45. The allegations contained in all the preceding paragraphs of Count One of this Indictment are repeated and realleged as though fully set forth herein and as constituting and describing part of the scheme by which the defendants R. FOSTER WINANS, DAVID CARPENTER, and KENNETH P. FELIS committed the offenses charged in these Counts.

(Title 18, United States Code, Sections 1341 and 2.)

FOREMAN

WILLIAM M. TENDY
Acting United States
Attorney

EXH. W-D

CHART OF INDICTMENT CHARGES RELATED TO DAVID CARPENTER SCHWAB ACCOUNT TRANSACTIONS

Count	Security	Date, Type and Price of Purchase	Date of WSJ Articles	Date and Price of Sale	Profit
14	Rolm Corp.	12/2/83 20 Dec. 50 puts $ 690.00	12/5/83	12/5/83 20 Dec. 50 puts $1,434.95	$ 744.95
17	Greyhound Corp.	12/9/83 15 Jan. 25 calls $ 992.50	12/13/83	12/13/83 15 Jan. 25 calls $2,379.91	$1,387.41
18 38 56	Merrill Lynch	2/2/84 15 Apr. 25 puts $ 617.50	2/3/84	2/3/84 15 Apr. 25 puts $ 788.72	$ 171.22
21	Browning-Ferris	2/14/84 5 Mar. 35 puts $ 691.25	2/15/84	2/15/84 5 Mar. 35 puts $ 963.96	$ 272.71
22 41 59	Beatrice Foods	2/16/84 15 Mar. 35 calls $1,086.25	2/16/84 & 2/17/84	2/17/84 15 Mar. 35 calls $2,658.90	$1,572.65
24 42 60	Kaypro Corp.	2/21/84 200 shs. common $1,283.00	2/22/84	2/24/84 200 shs. common $1,636.90	$ 353.90
					$4,502.84

EXH. W-E

CHART OF PROFITS AND LOSSES SUSTAINED IN SECURITIES TRANSACTIONS CHARGED IN THE INDICTMENT

Count	Positive Opening Transaction	Negative Opening Transaction	Profit	Loss
2	Schlumberger			($47,464.78)
3		TIE	$ 51,150.26	
4		Merrill	16,706.58	
5		Key	52,169.19	
6	Int'l Harvester		9,241.32	
7		Commodore	87,519.55	
8	Todd		10,731.25	
9		Charter	34,761.43	
10	Toys 'R' Us		4,118.25	
11		Int'l Paper	14,382.45	
12	Perkins-Elmer		21,453.52	
13	Petro-Lewis			($16,420.15)
14		Rolm	744.95	
15		Searle	6,953.24	[+ 1,259.59]
16	Greyhound			($49,567.60)
17	Greyhound		1,387.41	
18		Merrill	171.22	
19		Quotron	10,000.00	
20		Quotron		[+ 1,444.50]
21		Browning-Ferris	272.71	
22	Beatrice		1,572.65	
23	Beatrice			[+ 2,516.32]
24	Kaypro		353.90	
25	Chicago-Milwaukee			($ 2,742.29)
			$323,689.88	$116,194.82

EXH. W-F

CHART OF THOSE TRANSACTIONS CHARGED IN THE INDICTMENT IN WHICH LOSSES WERE SUSTAINED

Count	Securities	Opening Transaction Date	Securities Acquired (Amount, Type, Cost)	Closing Transaction Date	Securities Sold (Amount, Type, Cost)	Loss
2	Schlumberger	10/17/83	15,000 shs.	10/19/83	15,000 common sold	
			$838,887.50		$800,973.25	($37,914.25)
		10/17/83	100 Nov. 55 calls	10/19/83	15 Nov. 55 calls sold	
				10/20/83	85 Nov. 55 calls sold	
			$ 25,012.50		$ 15,461.97	($ 9,550.53)
13	Petro-Lewis Corp.	12/1/83	20,000 shs.	12/6/83	5,000 common sold	
				12/9/83	15,000 common sold	
			$241,000.00		$224,579.85	($16,420.15)
16	Greybound Corp.	12/9/83	500 Jan. 25 calls bought	1/21/84	500 Jan. 25 calls expired	
			22 Jan. 20 calls bougi..	1/17/84	22 Jan. 20 calls sold	
			$ 58,756.50		$ 9,188.90	($49,567.60)
25	Chicago-Milwaukee Corp.	2/16/84	800 shs.	3/7/84	800 common sold	
			$ 93,244.62		$ 90,502.33	($ 2,742.29)

EXH. W-M

March 27, 1973

Dow Jones Policy on Securities

Transactions by our Staff

We want to make sure that every employee is aware of our policy on securities transactions and that he follows it strictly.

The staffs of our publications and news services have access to inside information, and the stories we print in many cases affect the securities prices of individual companies and, sometimes, whole industries. Thus, for a starter—and it is only a starter—we are obligated to comply with the regulations governing insider trading.

The federal securities laws prohibit anyone possessing inside information from trading in the affected securities until the information is available to the public.

The leading case of *SEC v. Texas Gulf Sulphur* applied the following standard:

> "Anyone in possession of material inside information must either disclose it to the investing public, or, if he is disabled from disclosing it in order to protect a corporate confidence, or he chooses not to do so, must abstain from trading in or recommending the securities concerned while such inside information remains undisclosed."

But we want to do more than just satisfy the regulations. We expect each staff member to bend over backwards to avoid any action, no matter how well intentioned, that could provide grounds even for suspicion:

(1) That he made financial gains by acting on the basis of "inside" information obtained through his position on our staff, before it was available to the general public. Such information includes hold-for-release material and our plans for running Dow Jonesers and other stories and items that may affect price movements. (2) That his writing of a Dow Joneser or other news story or item was influenced by a desire to affect the stock's price. (3) That he is financially committed in the market so deeply or in such other ways as to create a temptation to biased writing. (4) That he is indebted to brokers or some other group we cover. Such indebtedness could arise through acceptance of favors, gifts or payments for performing writing assignments or other services for them. Or (5) That he is beholden for any tips, allocations of underwritten new issues or in any other way to anyone in the financial community.

While we do not want to penalize our staff by suggesting that they do not buy stocks or make other investments, we want to reiterate that it is not enough that everyone be incorruptible and act with honest motives. It is equally important that they use good judgment and conduct their outside activities so that no one—our editors, an SEC

investigator with power of subpoena, or a political critic of the company—has any grounds for even raising the suspicion that a staff member misused his position with the company.

It is important for all members of our staff to keep in mind the tremendous embarrassment and damage to the company's reputation that could come about through a lapse in judgment by one man, no matter how well intentioned he may be. Because we think it so essential that every member of our staff be above suspicion, we consider any slip in judgement in this area serious enough to warrant dismissal.

With the foregoing general propositions in mind, we ask every employee to follow these specific guidelines:

A. First and foremost, all material gleaned by you in the course of your work for Dow Jones is deemed to be strictly the company's property. This includes not only the fruits of your own and your colleagues' work, but also information on plans for running items and articles on particular companies and industries in future issues. Such material must never be disclosed to anyone outside the company, including friends and relatives. Viewing information as the company's property should avoid a great many of the obvious pitfalls.

B. No staff member regularly assigned to a specific industry should invest in any company engaged in whole or significant part in that industry.

C. No staff member with knowledge of an upcoming article or item concerning a company or industry should, prior to the publication of such article or item, invest in such company or companies in such industry; nor, if he already owns any such security, should he sell it prior to publication without the approval of the Managing Editor.

D. We ask further that any staff member having prior knowledge of an upcoming article or item delay his trading in the securities of the companies involved until the general public has an opportunity to read and digest the information contained in any Dow Jones publication.

E. If a staff member should inadvertently buy or sell a security or otherwise invest contrary to the guidelines set forth in C or D, or if he should buy a security prior to publication, and then acquire knowledge of a proposed article or item, he should notify the Managing Editor as soon as practical, and in the case of a purchase hold the security for 6 months.

F. No staff member should engage in short selling of securities.

Ed Cony
Executive Editor

Addendum to the March 27, 1973 Policy

On Securities Transactions by our Staff

Some of us have been bothered by the ambiguity of Guideline D. It asks that staff members having prior knowledge of a story delay buying or selling the securities of any companies involved until the general public has had an opportunity to read and digest the story. But just how long should the delay be?

We ask that you wait two full trading days after an article first appears in a Dow Jones publication or news service. For instance, if a story ran Friday noon on the Dow Jones News Service, no staffer should trade any security whose price is apt to be affected by that story before the next Tuesday noon. In the case of Barron's, there should be no trading before the opening of the market on Wednesday (the current rule on Barron's).

If a story appears first on the ticker and then in the Journal, the 48-hour clock begins to run as soon as the ticker story is out.

Ed Cony
4/6/73

EXH. W-Q

ALL CITIES: December 20, 1984

TO THE STAFF:

We wish you and your families a joyous holiday season, a very Merry Christmas and a New Year that is full of happiness and good health.

The company's directors and all of our associates in management join us in that wish, and in thanking you for making this past year another successful one for Dow Jones.

Our publications and services continued to grow and to improve. Recognition of this is reflected in Fortune Magazine's Latest Survey of Corporate Reputations published in its issue dated January 7. It shows Dow Jones ranked No. 1 in quality of products for the second consecutive year.

To help brighten the holidays for those less fortunate than ourselves, and in lieu of some of our past Christmas festivities, the company is adding to its traditional year-end charitable contributions a special $50,000 donation, made in the name of Dow Jones' employees, to the Child Welfare League of America. This is the third year that we have done this.

Our 1984 gains were achieved through your efforts. We are confident that with your help 1985 will be another year of progress.

Happy Holidays and

All the Best,
Warren Phillips and Ray Shaw

WALL STREET JOURNAL, FEBRUARY 27, 1984

SEC Probe of Searle Options Raises Questions on Ethics, Inside Trades

(by Bruce Ingersoll)

Washington — Viewers of CBS Evening News last month saw Arizona scientist Woodrow Monte challenge the saftey of NutraSweet, the low–calorie sweetener made by G.D. Searle and Co., as part of a three–part report that raised questions about the product.

What the viewers didn't know was that Mr. Monte had bought "put" options on Searle stock just a few weeks before the report was aired. So did his Phoenix lawyer, Richard Faerber. They concede was that they bought the options because they expected Searle stock to fall as a result of the adverse publicity.

As it turned out, they lost money because Searle's stock didn't fall as much as they had expected. But the trading raises difficult ethical questions and questions about what constitutes illegal insider trading.

Messrs. Monte and Faerber defend their actions. "I honestly believe I had a right to do it," Mr. Monte says. "Gosh, I'm an American citizen. I don't feel its unethical. It's the American way."

As for the trading, Mr. Faerber says: "I am not ashamed or sorry about what I did. I don't think it was illegal."

The Securities and Exchange Commission may disagree. It is investigating a highly unusual series of upsurges in Searle options trading from Nov. 22 until the network presented the NutraSweet series on Jan. 16, 17 and 18. SEC investigators are focusing on a group of people, including Arizona investors and CBS employees, who were in a position to know the series was in the works and could have profited from buying put options on Searle's stock.

A put is an option contract that gives the buyer the right to sell 100 shares of a given stock at a certain price within a specified period of time. If the stock drops in price, a put buyer makes money.

The SEC could have trouble making an insider–trading case against Messrs. Monte and Faerber, according to Bevis Longstreth, a former SEC commissioner. The reason: The information on which they traded didn't come from inside any company to whose shareholders they had a fiduciary responsibility.

Mr. Monte, director of Arizona State University's Food Sciences and Research Laboratory, and Mr. Faerber insist that they were relying on the same kind of public information that Wall Street analysts and institutional investors use.

At CBS News, the legal question could turn on whether any employees "misappropriated" private information entrusted to them — specifically, plans to televise a series that could alarm consumers and bother Searle's stock. But Mr. Longstreth believes the SEC would face an "uphill fight" trying to prove insider–trading violations on that basis.

Gene Master, a CBS News vice president, says the SEC has indicated to the network's lawyers that subpoenas would be issued to some CBS employees, "but I don't know when, how many, or to whom."

In Skokie, Ill., William Greener, a spokesman for Searle, says, "We have no indication that any Searle employees are involved." He says he doesn't know of any impending subpoenas for Searle employees.

Mr. Greener says the drug and food–products company learned of the investigation Jan. 27 when an SEC investigator called to ask whether Searle had ever financed the research of Mr. Monte. Searle said it hadn't, and informed the investigator that the scientist was one of NutraSweet's critics. The investigator, in checking out his list of names, was also told that he had Mr. Faerber's name misspelled, Mr. Greener says.

Mr. Faerber says the passion of Mr. Monte's scientific convictions prompted him to join the anti–NutraSweet camp as a pro bono lawyer. "The guy couldn't sleep at night," he says. One of Mr. Monte's main concerns is that aspartame, the generic name for NutraSweet, breaks down into potentially toxic methyl alcohol, particularly when diet soft drinks are stored at high temperatures. Neither Searle nor the Food and Drug Administration sees this as a health threat.

"We don't know what a small amount of methyl alcohol will do over a long time," Mr. Monte said on the CBS Evening News program. He and the National Dietetic Association made the same argument in petitioning the Arizona Department of Health Services to ban the sale of aspartame–sweetened beverages and in asking the FDA to hold hearings. Mr. Faerber is also the lawyer for the dietetic association.

Taking on a corporate giant like Searle, however, takes money. Mr. Monte and Mr. Faerber say they were investing neophytes, but decided to try trading in Searle put contracts. "I felt the CBS report, if they went with it, would have an impact," Mr. Monte says.

That feeling was reinforced by what Mr. Faerber was hearing from securities analysts who follow Searle. "I did tell some of them a network had interviewed Dr. Monte," he says. "One guy's response was, 'Boy, this will kill the stock.' What's so wierd, it didn't. This stock went up every day the program was aired."

Searle's stock peaked at $54,625 on Nov. 25 and then began a gradual slide to the low $40s by early January, but it didn't fall far enough for the investors to profit. The company's stock closed Friday on the New York Stock Exchange at $46.25 a share.

Mr. Monte says he invested $1,904 in Searle puts and lost $1,224. Mr. Faerber says he and two friends invested $2,000 to $5,000 each during December and early January, and also incurred losses.

"On the bottom line, what we were doing is betting we would succeed with our FDA and Arizona petitions," Mr. Faerber says. "It certainly was a wrong bet, because we haven't succeeded yet."

What they did is "sleezy," says Michael F. Jacobson, executive director of the Center for Science in the Public Interest. "Outrageous," says Dr. Sidney Wolfe, director of Public Citizens' Health Research Group. "That kind of behavior is unethical."

"If I get a phone call from Wall Street analysts asking about something we're working on before it's public, I refuse to give them any information," Dr. Wolfe says.

Mr. Monte insists his actions weren't unethical. "If any money was made, it was to go toward fighting the (NutraSweet) battle," he says. Mr. Faerber says he only regrets handing Searle "on a silver platter" a chance to impugn the motives of his scientific adversaries.

CBS News says it is aiding the SEC investigation of possible trading by some of its employees. Whatever the legalities, the use of inside CBS information for private gain would violate the news division's ethics standards, says Mr. Mater, the CBS News vice president. "Bear in mind," Mr. Mater says, "it is our interest to find out what the hell happened. We have a reputation at stake."

The network, however, hasn't begun an internal inquiry. "One, where do you begin something like that," Mr. Mater says. "Two, we'd be stepping on the toes of those who do know what to do."

WALL STREET JOURNAL, MARCH 2, 1984

Media Policies Vary on Preventing Employees and Others From Profiting on Knowledge of Future Business Stories

When new financial reporters start work at the Philadelphia Inquirer, business editor Larry Williams sits down with them to answer their questions — and to pose one of his own. "Right in between 'Should I get Blue Cross–Blue Shield?' and 'What are my days off?' comes 'What are you investing in?'" he says.

The reason is that the Inquirer has formal guidelines designed to prevent journalists from trading in stock based on their inside knowledge of future news reports. Some other newspapers, magazines and television news operations have tough standards, too: Forbes and the Chicago Tribune, for example, both require editorial employees to regularly file forms listing their investments.

But that's the exception. An informal survey of the media around the country shows that many have informal policies or none at all. "There are certain things you assume people won't do," says David Hopcraft, executive editor of the Cleveland Plain Dealer. James Toms, business editor of the Akron Beacon Journal, says that reporters who traded in a company's stock while writing a story about the firm "might get transferred off the business page." And the Tulsa World has written guidelines about how reporters should dress, but no formal rules about stock trading.

In addition, the media generally seem unconcerned about the additional ethical issues raised by the case of G.D. Searle & Co. and the CBS Evening News. An Arizona scientist, interviewed by CBS for an investigative report on Searle's new sweetener, bought "put" options in Searle stock before the story aired, betting that the stock would go down because of negative comments from himself and others. The Securities and Exchange Commission is investigating whether CBS employees also bought Searle options.

The questions for the media are how to prevent the subjects of interviews from trading in securities based on their expectation of a positive or negative news report; by extension, how to avoid the possibility that securities analysts or others will disclose

information about a company because they have positions in the stock; and whether the media's own insider–trading guidelines should be extended to non–editorial employees, such as copy clerks and composing–room workers, who might know about a coming report.

James Michaels, the editor of Forbes, says he once held a story out of an issue when he learned that the subject of an interview had sold stock short in anticipation of a negative article. And in an internal memo about ethics sent to his staff this week, Norman Pearlstine, managing editor of the Wall Street Journal, said that "on several occasions, we've even killed Heard on the Street columns when it's become obvious that word is out on the street as to what we're up to."

But Dan Dorfman, who writes a financial column that appears in 193 newspapers and who also appears on television, says stocks often rise or fall when he starts working on a story about them — and he adds: "It's not my job to police. My job is to get information."

With an increasing number of business publications and financial news shows on television, and with insider–trading laws becoming more muddled, journalists are asking more questions about their own role. Ralph Schulz, senior vice president at McGraw–Hill Inc.'s publications unit, says employees have asked three to four times more questions about the company's trading policies in the past year than ever before.

McGraw–Hill, which publishes Business Week and other financial publications, has a written conflict–of–interest policy based on the premise that "nobody who writes about a company ought to own stock in it," Mr. Schulz says.

Mr. Williams of the Philadelphia Inquirer says that business reporters are assigned specific beats, and are not allowed to own stock in a company within that beat.

The Washington Post requires all business reporters to give a confidential letter to the financial editor outlining their stock holdings, says Jerry Knight, the deputy financial editor. Reporters aren't allowed to write about a company in which they own stock, or buy stock in a company after they have written about it. The New York Times also has a written policy banning such trading; it is handed out about every two years.

The Wall Street Journal has a 3 1/2–page conflict–of–interest policy that prohibits employees from trading stock in

companies that are about to be or were just written about in the newspaper.

"It is not enough to be incorruptible and act with honest motives," the policy says. "It is equally important to use good judgment and conduct one's outside activities so that no one — management, our editors, an SEC investigator with power of subpoena, or a political critic of the company — has any grounds for even raising the suspicion that an employee misused a position with the company."

It was learned yesterday, for example, that the SEC is informally investigating allegations that a stock trader had advance knowledge of certain articles that have appeared in The Wall Street Journal.

The San Jose {Calif.} Mercury–News is distributing its first written ethics code this week, after a year of work. "As a general guideline, staff members shouldn't make news decisions about companies . . . in which they or their spouses have financial interests or hold stock," says the 10–page code.

But written policies against journalists trading on their advance knowledge are the exception.

There have been only two widely known cases in which journalists were caught using information about future articles. One, in 1963, involved the business editor of Time magazine; the other, in 1974, involved a columnist and former financial editor of the Los Angeles Herald–Examiner.

But there have probably been at least a few other cases that have been quietly dealt with — or never discovered. "If it's a problem among lawyers and executives, I imagine it's a problem among journalists as well," said Myron Kandel, financial editor of Cable News Network.

No news executives were concerned about inside trading by non–editorial employees, although many people in a newsroom routinely know about all but the most sensitive investigative reports.

Similarly, the media appear largely unconcerned about trading by subjects of interviews, such as in the Searle case, with some exceptions. Mr. Williams of the Philadelphia Inquirer is generally bothered by the reliance of financial writers on securities analysts. Tim Kelly, managing editor of the Denver Post, says he encourages reporters to examine the motives of their source. Mr. Pearlstine of The Wall Street Journal, in his memo to the staff, said: "Even when it

is obvious through the line of questioning where the story might be leading, we should never characterize the thrust of the piece to anyone."

And James Mitchell, business editor of the San Jose Mercury–News, says the Searle case has given him pause. He currently doesn't stress to reporters that they shouldn't indicate the angle of a story, he says, but "maybe we need to have our consciousness raised."

It is clearly impossible for the media to change their plans every time word leaks out about a future story. And, in any event, investors who bet that a news story will affect the price of a stock are sometimes mistaken: The Arizona scientist, for instance, lost money on his Searle trade.

Most news executives say that uncertainty should help to keep sources from trading on hopes for a future article, because there's not much more the news executives can do. Preventing that kind of insider trading "is an ethical responsibility a newspaper can't assume," in the words of John G. Craig Jr., editor of the Pittsburgh Post–Gazette.

James D. Squires, editor of the Chicago Tribune, agrees — especially, he says, because a newspaper has its hands full just trying to police insider trading by its own reporters. "It's not something you can enforce with a lie detector test," he says, but he adds: "What's funny as hell is you probably can't find 15 newspaper editors in the country who know what a put option is."

GX 55

DOW JONES & COMPANY, INC.
CONFLICTS OF INTEREST POLICY

This policy statement is designed to provide all employees with guidelines which will enable them to avoid conflicts of interest that might be construed to be detrimental to the best interests of Dow Jones. Because of the nature of the Company's business, this statement also applies to the families of each employee (except for item #1).

1. Dow Jones' employees are prohibited, except with written approval of the chief executive officer, from service as directors or officers of any other company devoted to profitmaking. This prohibition, of course, does not apply to employees appointed to serve as directors or officers of companies in which Dow Jones has a significant equity interest. If an employee is involved in a family–owned profitmaking business, clearance should be obtained from the appropriate member of the Management Committee.

2. Employees should not requisition, order, approve or otherwise participate in the purchase of goods or services on behalf of Dow Jones from any company which furnishes material, equipment, supplies or services to Dow Jones if the employee has any significant financial interest in that company, whether by way of stock ownership or loans or otherwise.

3. Employees should not accept, directly or indirectly, any gift, entertainment or reimbursement of expenses of more than nominal value or that exceeds customary courtesies, nor should they accept, payment, loan, services, employment or any other benefit from any company or individual that furnished or seeks to furnish news, material, equipment, supplies or services to Dow Jones.

4. Employees should not offer or provide, directly or indirectly, any gift, entertainment or reimbursement of expenses of more than nominal value or that exceeds customary courtesies, nor should they offer any material, equipment or services to any company or person in a position to make or influence any business or governmental decision affecting Dow Jones.

5. Dow Jones does not contribute directly or indirectly to political campaigns or to political parties or groups seeking to raise money for political campaigns or parties, and Dow Jones does not and will not reimburse any employee for any political contribution made by an employee.

6. Employees should not use, directly or indirectly, for their own or any other person's financial gain, any information about Dow Jones that the employee obtained in connection with Dow Jones employment. Further, employees should not disclose to anyone confidential information obtained in connection with Dow Jones employment until such information has been made available to the public.

7. No Dow Jones fund or asset which is not fully and properly recorded on the books and records shall be created or permitted to exist.

8. No transaction shall be effected and no payment shall be made on behalf of Dow Jones with the intention or understanding that the transaction or payment is other than as described in the documentation evidencing the transaction or supporting the payment.

9. All employees will comply with Dow Jones' accounting principles, procedures and controls and no false, artificial or misleading entries in our books and records shall be made for any reason whatsoever.

10. No Dow Jones employee will:

(a) issue or authorize any official company document that is false or misleading;

(b) knowingly accept and treat as accurate a false or misleading document prepared by a person outside Dow Jones; and

(c) knowingly make false or misleading statements to our external, internal or other auditors.

11. Dow Jones has always had a strict policy on security transactions by employees who have access to inside information regarding unpublished stories or advertising schedules. It also has had a strict related policy on the conduct of news and advertising staff members dealing with corporations we cover or whose advertising we carry. Each employee is expected to bend over backwards to avoid any action, no matter how well–intentioned, that could provide grounds even for suspicion:

(a) that an employee made financial gains by acting on the basis of "inside" information obtained through a position on our staff, before it was available to the general public. Such information includes hold–for–release material, our plans for running stories, items that may

affect price movements, or projected advertising campaigns;

(b) that the writing of a news story or item or scheduling of advertising was influenced by a desire to affect the stock's prices;

(c) that an employee is financially committed to the market so deeply or in such other way as to create a temptation to biased writing or scheduling of advertising;

(d) that an employee is indebted to brokers or any other group we cover, or advertisers. Such indebtedness could arise through acceptance of favors, gifts or payments for performing writing assignments or other services for them;

(e) that an employee is beholden for any tips, allocations of underwritten new issues or in any other way to anyone in the financial community.

While we do not want to penalize our staff members by suggesting that they not buy stocks or make other investments, we reiterate that it is not enough to be incorruptible and act with honest motives. It is equally important to use good judgment and conduct one's outside activities so that no one — management, our editors, an SEC investigator with power of subpoena, or a political critic of the Company — has any grounds for even raising the suspicion that an employee misused a position with the Company.

It is important for all employees to keep in mind the tremendous embarrassment and damage to the Company's reputation that could come about through a lapse in judgment by one person no matter how well–intended that person may be. Because we think it is essential that every employee be above suspicion, we consider any slip in judgment in this area or others covered in this policy statement to be serious enough to warrant dismissal.

With these general propositions in mind, here are some specific guidelines:

(i) First and foremost, all material gleaned by you in the course of your work for Dow Jones is deemed to be strictly the Company's property. This includes not only the fruits of your own and your colleagues' work, but also information on plans for running items and articles on particular companies and industries and

advertising schedules in future issues. Such material must never be disclosed to anyone outside the Company, including friends and relatives. Viewing information as the Company's property should avoid a great many of the obvious pitfalls.

(ii) No employee regularly assigned to a specific industry should invest in any company engaged in whole or significant part in that industry.

(iii) No employee with knowledge of a forthcoming article, item or advertisement concerning a company or industry should, prior to the publication of such article, item or advertisement, invest in that company or companies in that industry; nor, if the employee already owns any such security, should the employee sell it prior to publication without the approval of the appropriate Management Committee member.

(iv) Further, any employee having prior knowledge of a forthcoming article, item or advertisement, should delay trading in the securities of the companies involved until the general public has an opportunity to read and digest the information contained in any Dow Jones publication or news service. Employees should wait two full trading days after an article or advertisement first appears in a Dow Jones publication or news service.

(v) If an employee should inadvertently buy or sell a security or otherwise invest contrary to the guidelines set forth in (iii) or (iv), or if an employee should buy a security prior to publication, and then acquire knowledge of a proposed article, item or advertisement, the employee should notify his or her department head as soon as practical. In the case of a purchase, the employee should hold the security for six months.

(vi) No employee shold engage in short selling of securities.

We believe these guidelines should be easily understood. They aren't intended to deter any employee form participating actively in civic or charitable organizations, provided they have no impact on or connection with Dow Jones. The same applies to political organizations or government advisory boards for the average employee — but news or editorial employees and company executives would be expected to refrain if there was a connection with issues

covered by his or her publication or if his or her superior didn't provide prior clearance.

We urge that whe .ever a situation comes up where a conflict may arise between the interests of Dow Jones and any such civic, charitable, political or governmental organization you refrain form participating in order to avoid any appearance of a conflict of interest. Should any questions ever arise in your mind as to the propriety of your activity, you are urged to consult in confidence with your national department head or any Dow Jones officer.

We would like to emphasize that we have complete confidence in all our employees. It is essential, however, that all of us maintain the highest standards of ethics in the conduct of Dow Jones' business by acting within the framework of these guidelines.

Your cooperation is greatly appreciated.